

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE APPLICATION OF THE)
FUEL ADJUSTMENT CLAUSE OF LOUISVILLE) CASE NO. 8591
GAS AND ELECTRIC COMPANY FROM)
NOVEMBER 1, 1980, TO OCTOBER 31, 1982)

O R D E R

Pursuant to 807 KAR 5:056, Sections 1(11) and 1(12), the Public Service Commission ("Commission") issued its Order on August 23, 1982, scheduling a hearing to review the operation of the fuel adjustment clause of Louisville Gas and Electric Company ("LG&E") for the past 2 years and to determine the amount of fuel cost that should be transferred (rolled in) to the base rates in order to reestablish the fuel clause charge in accordance with 807 KAR 5:056, Section 1(2).

In response to the Commission's requests for information, LG&E proposed to use October 1982 as the base period (test month) for the purpose of arriving at the base fuel cost [F(b)] and the KWH sales [S(b)] components of the fuel adjustment clause. The base fuel cost proposed by LG&E was 15.11 mills per KWH. LG&E provided all requested information, and following proper notice, a hearing was held on January 24, 1983.

The sole intervenor in this case was the Consumer Protection Division of the Attorney General's Office ("AG"). The AG did not offer testimony, and on cross-examination did not challenge the level of actual fuel cost included in LG&E's monthly fuel filings, or the proposed base fuel cost of 15.11 mills per KWH.

In establishing the appropriate level of base fuel cost to be included in LG&E's rates, the Commission must determine whether the proposed base period fuel cost per KWH is representative of the level of fuel cost currently being experienced by LG&E. The Commission's review of generation mix, unit outages and unit availability disclosed that October 1982 was a reasonably representative generation month for LG&E. The Commission's analysis of LG&E's monthly fuel clause filings shows that the actual fuel cost incurred for the year ended October 1982 ranged from a low of 13.16 mills per KWH in November 1981 to a high of 15.86 mills per KWH in September 1981. The Commission is of the opinion that LG&E has complied with 807 KAR 5:056, and that the base period fuel cost of 15.11 mills per KWH should be approved.

LG&E bills its customers on a daily cycle basis. In Case No. 8056, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Louisville Gas and Electric Company pursuant to 807 KAR 5:056E, Sections 1(11) and (12), the Commission determined that a transfer (roll-in) of fuel costs into the base rates would result in LG&E not being able to bill all of the

increase in fuel costs for the 2 months immediately preceding the first month the new base fuel cost is billed. The Commission will explain the problem of under-recovery due to the roll-in of the new base fuel cost with the following illustration:

Two assumptions must be made for this illustration. First, assume the Commission approves the roll-in of a base fuel cost of 15.11 mills per KWH effective for bills rendered on and after July 1, 1983. Second, assume that the actual fuel costs for May and June of 1983 are 14.19 and 15.19 mills per KWH, respectively. Since one-half of May sales are billed in May and the other one-half are billed in June, the base fuel cost of 12.35 mills per KWH would apply to both months. Thus, the applicable fuel adjustment clause rate for May would be 1.84 mills per KWH (14.19 less 12.35) and would be recovered from customers beginning with the first cycle billed in July 1983.

The recovery of June fuel costs is not as easily computed since one-half of the sales billed in June would be subject to the old base fuel cost of 12.35 mills per KWH and the other one-half billed in July would be subject to the new base fuel cost of 15.11 mills per KWH. While a precise calculation cannot be made, in Case No. 8056 the Commission determined that a reasonable solution to this problem would be to average the base fuel cost prior to roll-in of 12.35 mills per KWH and the base fuel cost after roll-in of 15.11 mills per KWH resulting in 13.37 mills per KWH. Thus, the rate for June would be 1.46 mills per KWH (15.19 less 13.73) and would be recovered from its customers beginning with the first cycle billed in August 1983. The Commission is of the opinion that the use of this procedure will eliminate any material impact on LG&E and its customers due to the roll-in of the new fuel cost into the base rates.

The Commission, having considered the evidence of record and being advised, finds that:

1. LG&E has complied in all material respects with the provisions of 807 KAR 5:056.

2. The test month of October 1982 should be used as LG&E's base period in this proceeding.

3. LG&E's proposed base period fuel cost of 15.11 mills per KWH should be approved.

4. The establishment of a base fuel cost of 15.11 mills per KWH requires a transfer (roll-in) of .276 cents per KWH from the fuel adjustment clause rate to LG&E base rates and can best be accomplished by an energy adder to each KWH sold.

5. The revised rates and charges in Appendix A are designed to reflect the transfer (roll-in) to base rates of the differential between the old base fuel cost of 12.35 mills per KWH and the new base fuel cost of 15.11 mills per KWH.

6. The rates in Appendix A should be approved for bills rendered on and after July 1, 1983.

7. The fuel adjustment clause rate for May to be billed in July should be computed using the current base fuel cost of 12.35 mills per KWH.

8. The fuel adjustment charge rate for June to be billed in August should be computed using a base fuel cost of 13.73 mills per KWH which is the average of the fuel cost prior to roll-in of 12.35 mills per KWH and the base fuel cost after roll-in of 15.11 mills per KWH.

9. The fuel adjustment clause rate for July and the succeeding months should be computed using the base fuel cost of 15.11 mills per KWH which includes the roll-in of .276 cents per KWH approved herein.

IT IS THEREFORE ORDERED that the charges collected by LG&E through the fuel adjustment clause for the period November 1, 1980, through October 31, 1982, be and they hereby are approved.

IT IS FURTHER ORDERED that LG&E's proposed base period fuel cost of 15.11 mills per KWH be and it hereby is approved.

IT IS FURTHER ORDERED that the rates in Appendix A be and they hereby are approved for bills rendered by LG&E on and after July 1, 1983.

IT IS FURTHER ORDERED that the current base fuel cost of 12.35 mills per KWH shall be used to compute the fuel adjustment clause rate for May 1983.

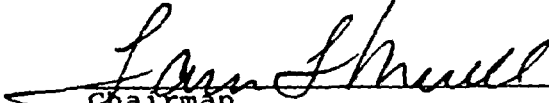
IT IS FURTHER ORDERED that the average base fuel cost of 13.73 mills shall be used to compute the fuel adjustment clause rate for June 1983.

IT IS FURTHER ORDERED that the base fuel cost of 15.11 mills per KWH shall be used to compute the fuel adjustment clause rate for succeeding months.


IT IS FURTHER ORDERED that within 30 days from the date of this Order LG&E shall file with the Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 13th day of June, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 8591 DATED JUNE 13, 1933

The following rates and charges are prescribed for the customers in the area served by Louisville Gas and Electric Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

ELECTRIC SERVICE RESIDENTIAL SERVICE* (RATE R)

Rate:

Customer Charge: \$2.90 per meter per month.

Winter Rate: (Applicable during 8 monthly billing periods of October through May)

First 600 kilowatt-hours per month	5.631 ¢ per Kwh
Additional kilowatt-hours per month	4.306 ¢ per Kwh

Summer Rate: (Applicable during 4 monthly billing periods of June through September)

All kilowatt-hours per month	6.165 ¢ per Kwh
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WATER HEATING RATE* (RATE WH)

Rate: 4.458 ¢ per kilowatt-hour.

Minimum Bill: \$1.80 per month per heater.

*The monthly kilowatt-hour usage shall be subject to plus or minus an adjustment per Kwh determined in accordance with the Fuel Adjustment Clause.

GENERAL SERVICE RATE*
(RATE GS)

Rate:

Customer Charge:

\$3.50 per meter per month for single-phase service
\$7.00 per meter per month for three-phase service

Winter Rate: (Applicable during 8 monthly billing periods
of October through May)

All kilowatt-hours per month 6.126 ¢ per Kwh

Summer Rate: (Applicable during 4 monthly billing periods
of June through September)

All kilowatt-hours per month 6.879 ¢ per Kwh

Minimum Bill:

The minimum bill for single-phase service shall be the customer charge.

The minimum bill for three-phase service shall be the customer charge; provided, however, in unusual circumstances where annual kilowatt-hour usage is less than 1,000 times the kilowatts of capacity required, Company may charge a minimum bill of not more than 85¢ per month per kilowatt of connected load.

SPECIAL RATE FOR NON-RESIDENTIAL ELECTRIC
SPACE HEATING SERVICE - RATE GS*

Rate:

For all consumption recorded on the separate meter during the heating season the rate shall be 4.479¢ per kilowatt-hour. This special rate shall be subject to the Primary Service Discount, Fuel Clause and Prompt Payment Provision as are embodied in Rate GS. During the four non-heating season months any electric usage recorded on the separate space heating meter shall be combined with metered usage for other purposes at the same location and be billed at Rate GS.

*The monthly kilowatt-hour usage shall be subject to plus or minus an adjustment per Kwh determined in accordance with the Fuel Adjustment Clause.

Minimum Bill:

\$6.10 per month for each month of the "heating season."
This minimum charge is in addition to the regular monthly
minimum of Rate GS to which this rider applies.

DIRECT CURRENT POWER*
(RATE DC)

Rate:

Customer Charge: \$7.40 per meter per month.

All kilowatt-hours per month 7.095¢ per Kwh

Minimum Bill:

\$2.67 per month per horsepower of customer's total
connected direct current load but in no case less than the
customer charge. Horsepower of apparatus will be based on
manufacturer's rating.

OUTDOOR LIGHTING SERVICE
(RATE OL)
OVERHEAD

Rates:

<u>Mercury Vapor</u>	<u>Rate Per Light</u> <u>Per Month</u>
100 watt*	\$ 5.76
175 watt	6.69
250 watt	7.97
400 watt	9.83
1000 watt	19.82
400 watt floodlight	9.83
1000 watt floodlight	19.82
<u>High Pressure Sodium Vapor</u>	
250 watt	11.59
400 watt	13.81
400 watt floodlight	13.81

* Restricted to those units in service on 5-31-79

*The monthly kilowatt-hour usage shall be subject to plus or minus
an adjustment per Kwh determined in accordance with the Fuel
Adjustment Clause.

OUTDOOR LIGHTING SERVICE - UNDERGROUND

Rates:

<u>Mercury Vapor</u>	<u>Rate Per Light Per Month</u>
100 watt-colonial or modern design top mounted	\$ 11.41
175 watt-colonial or modern design top mounted	12.09
Special Wood Poles (Overhead)	1.15

PUBLIC STREET LIGHTING SERVICE
(RATE PSL)

Rate:

<u>Type of Unit</u>	<u>Support</u>	<u>Rate Per Light Per Year</u>
<u>Overhead Service</u>		
100 Watt Mercury Vapor (open botton fixture)	Wood Pole	\$ 51.87 ¹
175 Watt Mercury Vapor	Wood Pole	76.32
250 Watt Mercury Vapor	Wood Pole	90.97
400 Watt Mercury Vapor	Wood Pole	110.10 ²
400 Watt Mercury Vapor	Metal Pole	186.10
400 Watt Mercury Vapor Floodlight	Wood Pole	110.10
1000 Watt Mercury Vapor	Wood Pole	234.20
1000 Watt Mercury Vapor Floodlight	Wood Pole	234.20
250 Watt High Pressure Sodium	Wood Pole	123.44
400 Watt High Pressure Sodium	Wood Pole	150.46
400 Wood High Pressure Sodium Floodlight	Wood Pole	150.46

¹ Restricted to those units in service on 5/31/79.

² Restricted to those units in service on 1/19/77.

Underground Service

100 Watt Mervury Vapor Top Mounted		135.37
175 Watt Mercury Vapor Top Mounted		143.32
175 Watt Mercury Vapor	Metal Pole	147.32
250 Watt Mercury Vapor	Metal Pole	166.29
400 Watt Mercury Vapor	Metal Pole	186.10
400 Watt Mercury Vapor	Alum. Pole	240.10
400 Watt Mercury Vapor on State of Ky. Alum. Pole		139.10
250 Watt High Pressure Sodium Vapor	Metal Pole	220.44
250 Watt High Pressure Sodium Vapor	Alum. Pole	249.44
400 Watt High Pressure Sodium Vapor	Metal Pole	241.46
400 Watt High Pressure Sodium Vapor	Alum. Pole	270.46
250 Watt High Pressure Sodium Vapor on State of Ky. Alum. Pole		148.44 ³
1500 Lumen Incandescent 8-1/2"	Metal Pole	66.44 ³
6000 Lumen Incandescent	Metal Pole	130.69

LARGE COMMERCIAL RATE* (RATE LC)

Rate:

Customer Charge: \$14.50 per delivery point per month.

Demand Charge:

	<u>Secondary Distribution</u>	<u>Primary Distribution</u>
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Winter Rate: Applicable during
8 monthly billing periods
of October through May)

All kilowatts of billing demand	\$6.14 per Kw per month	\$4.76 per Kw per month
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*The monthly kilowatt-hour usage shall be subject to plus or minus an adjustment per Kwh determined in accordance with the Fuel Adjustment Clause.

³ Restricted to those units in service on 3/1/67.

<u>Secondary Distribution</u>	<u>Primary Distribution</u>
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Summer Rate: (Applicable during
4 monthly billing periods
of June through September)

All kilowatts of billing demand	\$9.04 per Kw per month	\$7.37 per Kw per month
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Energy Charge: All kilowatt-hours per month 3.298 ¢ per Kwh

INDUSTRIAL POWER RATE*
(RATE LP)

Rate:

Customer Charge: \$36.20 per delivery point per month.

<u>Demand Charge:</u>	<u>Secondary Distribution</u>	<u>Primary Distribution</u>	<u>Transmission Line</u>
All kilowatts of billing demand	\$7.61 per Kw per month	\$5.95 per Kw per month	\$4.94 per Kw per month

Energy Charge: All kilowatt-hours per month 2.887¢ per Kwh

SPECIAL CONTRACT FOR ELECTRIC SERVICE TO
AIRCO ALLOYS AND CARBIDE (AIR REDUCTION COMPANY, INC.)*

Demand Charge:

Primary Power (28,500 KW)	\$ 9.84 per Kw per month
Secondary Power (Excess KW)	4.92 per Kw per month

Energy Charge:

Primary & Secondary power	2.116 ¢ per Kwh
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*The monthly kilowatt-hour usage shall be subject to plus or minus
an adjustment per Kwh determined in accordance with the Fuel
Adjustment Clause.

SPECIAL CONTRACT FOR ELECTRIC SERVICE TO
E. I. DUPONT DENEMOURS & COMPANY

Demand Charge:

All KW of billing demand \$ 9.48 per Kw per month

Energy Charge:

All KWH 2.233 ¢ per Kwh

SPECIAL CONTRACT FOR ELECTRIC SERVICE TO
LOUISVILLE WATER COMPANY*

Demand Charge:

KW of billing demand \$ 6.50 per Kw per month

Energy Charge:

All KWH per month 2.345 ¢ per Kwh

SPECIAL CONTRACT FOR FORT KNOX*

Demand Charge:

Winter Rate: (Applicable during 8 monthly billing periods
of October through May)

All kilowatts of billing demand \$ 4.82 per Kw per month

Summer Rate: (Applicable during 4 monthly billing periods
of June through September)

All kilowatts of billing demand \$ 6.71 per Kw per month

Energy Charge: All kilowatt-hours per month 2.792 ¢ per Kwh

STREET LIGHTING ENERGY RATE
(RATE SLE)

Rate:

4.290 ¢ net per kilowatt-hour

*The monthly kilowatt-hour usage shall be subject to plus or minus
an adjustment per Kwh determined in accordance with the Fuel
Adjustment Clause.

TRAFFIC LIGHTING ENERGY RATE
(RATE TLE)

Rate:

5.483 ¢ net per kilowatt-hour

Minimum Bill:

\$1.35 net per month for each point of delivery

*The monthly kilowatt-hour usage shall be subject to plus or minus an adjustment per Kwh determined in accordance with the Fuel Adjustment Clause.